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Chairman: Mr. TEIRLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 132: ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS (A/48/421 and Add.1, A/48/622, A/48/912, A/48/945 and Corr.1; A/49/557 and A/49/664)

(a) FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

1. Mr. TAKASU (Controller) introduced the reports of the Secretary-General on effective planning, budgeting and administration of peace-keeping operations (A/48/945 and Corr.1, and A/49/557), which addressed issues related to planning, budget, finance, implementation methods and procedures, personnel, equipment and supplies.

2. The number and size of peace-keeping operations had dramatically increased in recent years, and their cost had increased eightfold since 1990. The scope of mission mandates had also expanded, and there was a need for improvement in the quality of back-stopping, not only in terms of the work to be done by the Secretariat but also in terms of the commitment by Member States to pay their assessments in full and on time. As of 15 November 1994, outstanding contributions amounted to $1.6 billion and the Peace-keeping Reserve Fund had been depleted. Assessment of Member States was lagging as a result of the lengthy budget review and approval procedures and late payments resulted in severe cash flow difficulties. Monthly expenditures for peace-keeping operations totalled some $300 million, and late payments by Member States had prevented the Organization from reimbursing troop contributors.

3. In order to improve and strengthen the United Nations capacity for peace-keeping operations, three categories of issues needed to be addressed: finance, personnel and equipment. Within those categories, eight priority areas were suggested for the Committee's consideration: financial authority, the budget cycle, budget presentation and the Peace-keeping Reserve Fund, under the category of finance; international contractual personnel and death and disability benefits, for contingents, under the category of personnel; and mission start-up kits and contingent-owned equipment, under the category of equipment.

4. The first priority area was financial authority, which enabled the Secretary-General to implement new or expanded peace-keeping operations as decided by the Security Council and pending General Assembly approval. An increase in the Advisory Committee's commitment authority from $10 million to $50 million was proposed by the Secretary-General in order to avoid delays in implementing mandates given by Member States. The Secretary-General further proposed that, beyond that limit, the General Assembly should approve commitment authority for incurring expenditures for at least three months of operation on the basis of preliminary estimates. He also proposed that the General Assembly should authorize assessment on Member States of one third of the preliminary estimates of an operation, or the level of commitment authority - whichever was lower - prior to review and approval of the full budget.

5. With regard to the second priority area, the peace-keeping budget cycle, he said that current procedures involving differing mandate periods had resulted in a large number of budgetary reports which overburdened the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and Member States and that delays in the process, combined with late payments of assessments, were causing severe operational difficulties. The Secretary-General therefore proposed an annual budget cycle. For operations that could be budgeted at a maintenance level, it was proposed that annual budgets could be prepared for the calendar year, with assessment only for the mandate period. For other operations, it was proposed that approval should be sought for the mandate period, together with monthly commitment authority for a further period of up to six months, subject to extension of the mandate by the Security Council; each operation's budget would be reviewed twice a year, but the timing of the cost estimates for 12 months would be synchronized with the General Assembly's annual budget review. That would reduce the workload of the Fifth Committee, ACABQ and the Secretariat, and make it easier for Member States to apprise their respective financial authorities of the projected assessment for each peace-keeping operation for the 12-month period. It would give the Secretariat a better basis for more systematic and forward planning; avoid lapses in financial authority and delays or shortfalls in contributions; and improve the cash flow for peace-keeping operations.

6. As for the third priority area, budget formulation and presentation, the Secretary-General proposed that the presentation and cost estimates of budgets should be standardized and the budget format simplified.

7. The fourth priority area related to the need for an increase in the level of the Peace-keeping Reserve Fund. The high level of unpaid contributions had left little cash available. The Peace-keeping Reserve Fund currently stood at $64.2 million, as against an authorization level of $150 million. The Secretary-General therefore proposed that the Fund's level should be increased to $800 million, which was roughly equivalent to two to three months' expenditures. He emphasized that such an increase depended on the commitment of Member States to pay their outstanding contributions and arrears.

8. With regard to the fifth priority area, international contractual personnel, he said that the use of such personnel, especially in peace-keeping operations, represented an innovative approach towards alleviation of the acute shortage in civilian personnel in existing and future field operations. The advantages of that approach included the accelerated deployment of qualified personnel, improved access to a reservoir of skills not otherwise available, and reduction of the burden shouldered by the field administrative staff and Headquarters.

9. As for the sixth priority area, death and disability benefits for contingents, he sought the Committee's guidance on two options relating to death benefits: one, to apply the policy currently used for military observers whereby reimbursement was limited to twice the annual salary excluding allowances, or $50,000, whichever was greater; or, two, to maintain the current arrangements, whereby the troop-contributing State was reimbursed for compensation paid, provided that its claim had been duly certified by its auditor-general as being based on payment properly made pursuant to specific

provisions of national legislation applicable to service in the armed forces of that State, but subject to a ceiling to be determined by the Committee.

10. With regard to the seventh priority area, mission start-up kits would allow new missions to become operational in a timely manner prior to the approval of peace-keeping budgets. It was proposed that a reserve stock of equipment and supply items, including equipment in good condition from liquidated missions, should be maintained to provide for such kits.

11. In connection with the eighth priority area, contingent-owned equipment, it was proposed that procedures should be simplified through the preparation of standard depreciation tables, including standardized lists of equipment; that such tables should indicate reimbursement rates depending on whether the United Nations or a Member State was responsible for the maintenance of the equipment; and that tables should be provided to the General Assembly and included in the notes to troop-contributing countries.

12. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (A/49/664), said that a change in several administrative and budgetary aspects of peace-keeping operations was long overdue. The report of the Secretary-General (A/48/945 and Corr.1) and that of the Advisory Committee offered a unique opportunity to consider that change. He intended therefore to highlight what the Advisory Committee was recommending in the light of the proposals of the Secretary-General. As indicated in its report, the Advisory Committee had consulted several other reports of the Secretary-General and had had the benefit of reviewing a large amount of information supplied by various representatives of the Secretary-General.

13. The Advisory Committee endorsed the measures taken by the Secretariat and those which were under way to improve mission planning and offered suggestions for the Secretariat to take into account in that regard (paras. 10-13). Those suggestions were not exhaustive, but the Secretariat should not be overloaded with too many proposals on planning. It should, rather, be given broad guidelines and should have the opportunity to plan in accordance with the requirements of each mission as mandated by the Security Council. The planning exercise should enable the Secretariat to determine as accurately as possible the sum total of inputs and the related cost required to achieve mission mandates as decided upon by the Security Council. A mix of expertise was therefore essential; it might be necessary to use outside expertise as well as that available within the Secretariat. The United Nations should also, to the extent possible, use any United Nations system facilities in the prospective mission area to obtain relevant information and data for mission planning. Moreover, since start-up kits were essentially planning tools for new missions, the Advisory Committee recommended that a detailed report on such kits be submitted for consideration during the current session.

14. As for financing, he said that the problem of ready and immediate cash, especially for new or expanded missions, was easy to understand but difficult to solve. The Security Council approved peace-keeping missions, but it took time for the Secretariat to prepare, and ACABQ, the Fifth Committee and the General

Assembly to examine and approve, the related budgets, and, when the budget was approved, it took time to collect assessments. The Peace-keeping Reserve Fund had been established to solve the problem of ready cash, but it had not lived up to expectations because of the long-standing problem of late payment of assessments. As one solution, the Secretary-General therefore proposed an increase in the Fund from $150 million to $800 million. The Advisory Committee did not, however, endorse that proposal.

15. To address the cash needs for start-up costs of new or expanded missions, in particular, the Secretary-General proposed an increase from $10 million to $50 million in the commitment authority granted to the Advisory Committee, and an assessment on Member States of one third of the preliminary estimates of new or expanded missions. The $10 million limit granted to the Advisory Committee had been changed in 1988 (resolution 44/203) to refer to each decision of the Security Council. That meant that if, in any one year, the Security Council adopted 10 decisions, the Advisory Committee could authorize up to $100 million in commitment authority. To raise the limit to $50 million per decision could result in very large sums being committed under the authority granted to the Advisory Committee. Even though subsequent developments had not led the Security Council to require the Advisory Committee to authorize the commitment of large sums, it was nevertheless doubtful whether Member States would wish to increase the authority currently granted to ACABQ so dramatically.

16. In his report (A/48/945, para. 15) the Secretary-General proposed an assessment of one third of the total estimates presented in the financial implications provided to the Security Council in order to meet the start-up costs. The words "financial implications" had subsequently been changed to "preliminary estimates" after questions had been raised in ACABQ. According to the Secretariat, start-up costs would cover requirements for specific non-recurrent items as well as three months' requirements for recurrent items. It appeared to the Advisory Committee that, given the varying needs of different missions, an across-the-board assessment of one third of the total projected cost of each mission would be arbitrary and that, on the basis of recent experience, it would be unrealistic to expect the General Assembly to accept either the preliminary estimate or the one-third assessment without discussion or debate. The Advisory Committee believed that a more flexible approach was required which would incorporate the basic elements of the Secretary-General's proposals, but which would be geared to the needs of a particular operation. It therefore recommended, for consideration by the General Assembly, procedures which would retain the current limit of $10 million granted to the Advisory Committee, but with the additional procedures described in paragraphs 25 (b) and (c) of its report. Such procedures would avoid potentially long debates on amounts below $50 million, and would allow related cash requirements to be addressed expeditiously; amounts below $10 million would not be assessed, in accordance with current practice. For large missions with start-up costs of over $50 million, the General Assembly would be asked to consider a preliminary estimate and decide on the amount to be assessed.

17. On the subject of the peace-keeping budget cycle, he said that the Advisory Committee agreed with the Secretary-General's proposal that the cycle should not be linked to the respective mandate period as approved by the Security Council. The Advisory Committee further agreed with the Secretary-General that missions

with operational requirements not subject to fluctuations during the year should have annual budgets approved by the General Assembly. It also agreed that while annual estimates should be prepared for missions with unpredictable operational and budget requirements, the General Assembly should consider the budgets of those missions twice a year. Lastly, as already indicated in an earlier report of the Advisory Committee (A/47/990, para. 42), all missions would have a 12-month financial period to coincide with the 12-month budget cycle recommended by ACABQ. The Advisory Committee recommended that there should be an annual review of budget estimates for all missions and that there should be a second review after six months for missions which were still evolving. In the latter case, a policy decision by the General Assembly would be required on whether to approve a 12-month budget to be revised after six months, or a six-month budget to be followed by another six-month budget. In all situations, however, Member States would be assessed only in respect of periods covered by an appropriate mandate from the Security Council.

18. For the reasons given in its report, the Advisory Committee recommended that the budget cycle of all peace-keeping missions should start on 1 July and end on 30 June. It further recommended that 1995 should be a transition year, and that the new budget and financial cycle should start with effect from 1 July 1996. That meant that the budgets for the new cycle starting on 1 July 1996 would be considered by the Advisory Committee during February and March 1996, and that the Advisory Committee would continue its current practice of meeting in February and March each year. Between April and June, the Fifth Committee and the General Assembly would consider peace-keeping budgets in the light of the Advisory Committee's recommendations and, for those operations that were still evolving, a second review would take place six months later.

19. The Advisory Committee's proposals should go a long way towards solving the problems which the Secretariat, ACABQ and the Fifth Committee had faced in recent years on how to deal with the pattern of decision-making in the Security Council. Paragraphs 27 to 35 of the Advisory Committee's report referred to the exigencies of the situations which the Secretariat and the legislative side of the United Nations had to face. The Advisory Committee's proposals were pragmatic; they could be implemented for the benefit of all concerned, including the Board of Auditors, which would have its workload spread more evenly throughout the year.

20. With regard to the budget format and performance reports, the usefulness of a budget document lay in its ability to facilitate review and decision-making. Many peace-keeping budgets, in fact, did the opposite, largely as a result of demands by Member States for massive amounts of data and statistics. The Secretariat was instituting changes, including the preparation of a standard cost manual, which should make future budget documents more user-friendly.

21. Performance reporting had posed great problems in recent years. While there was a need for the most up-to-date information available to assist in the formulation of realistic estimates for the next budget, there was also a recognition that a true performance report should be based on final data and not on projections. In practice, final data were not available until well after the end of a budget period. The introduction of the new budget and financial cycle should permit the preparation of true performance reports and allow in-depth

review by the Advisory Committee and the General Assembly. It should be noted, in that connection, that, while the Secretariat was proposing to submit a performance report for the previous budget period, the budget for the next budget period would be considered midway during the current budget period. That was unavoidable if a true performance report was to be submitted, but the most up-to-date information on the current budget should also be provided to permit the formulation of recommendations for the next budget period. The Advisory Committee recommended that a mock-up of an annual budget document and a performance report should be presented to the General Assembly at the current session, at which time final decisions would be taken on the format of the two reports and on the periodicity and timing of performance reports. The new regime proposed by ACABQ would require changes in the Financial Regulations and Rules, a question that should also be addressed during the current session.

22. The Advisory Committee endorsed the steps taken to strengthen the internal audit function in peace-keeping operations, and made a number of additional suggestions in paragraph 56 of its report (A/49/664). In particular, the Advisory Committee called for clearer guidelines with respect to roving finance officers and for the provision of management advisory services from within existing resources.

23. With respect to personnel issues, the use of international contractual personnel had undoubtedly enabled the Organization to act more quickly than if it had simply followed normal recruitment procedures. However, the way in which the pilot project had been implemented in the case of the United Nations Protection Force (UNPROFOR) and the status of international contractual personnel had raised a number of questions that needed to be addressed urgently before the procedure was extended to other missions. Accordingly, the Advisory Committee recommended that an independent investigation and evaluation should be undertaken and that further recruitment of such personnel for UNPROFOR or the extension of the practice to other missions should be suspended pending the outcome of that exercise.

24. ACABQ made no specific recommendation on the question of death and disability benefits, a matter which required a political decision by the General Assembly. However, it recommended that, at the current session, the Secretary-General should review the question of staff entitlements, including mission subsistence allowances.

25. The concept of start-up team rosters needed further refinement, and practical ways should be found to ensure the full implementation of the stand-by arrangements for military personnel approved by the General Assembly, as well as to ascertain from Member States the circumstances in which they would provide troops and equipment requested by the United Nations. Given the need for a more accurate method of compiling the statistics on which reimbursement of troop-contributing Governments was based, ACABQ welcomed the development of an appropriate system of accounting. The Advisory Committee noted the pilot project for personnel appointments of limited duration, but cautioned against a proliferation of categories of staff with different contractual relationships. Uniform arrangements should be implemented for all personnel serving under appointments of limited duration.

26. The Advisory Committee believed that greater efforts should be made to obtain seconded personnel from Member States. It also noted the value and cost-effectiveness of United Nations Volunteers, and offered some suggestions with regard to the rotation and duration of duty for military personnel. The policy governing the rotation of civilian personnel required clarification.

27. The Advisory Committee welcomed the measures which had been taken on the question of transport and other operational issues, and stressed the importance of status-of-forces and status-of-mission agreements before the deployment of a mission. ACABQ supported the call for the conclusion of "good neighbour" agreements with countries adjacent to a mission area.

28. Problems relating to the valuation of and reimbursement for contingent-owned equipment had been a matter of serious concern to the Advisory Committee for many years. Current procedures had become too laborious and increasingly unmanageable, leading to long delays in the processing of claims for reimbursement. The Advisory Committee supported the Secretariat project aimed at setting comprehensive standards for each category of equipment; pending completion of the project, interim measures would be implemented.

29. On the question of liquidation, ACABQ concurred with the Secretary-General's proposals. An attempt should, however, be made to reach agreement with Governments for compensation for the residual value of surplus mission assets. Such a standard agreement should, in the first instance, be approved by the General Assembly. The question of the transfer of assets between missions was also under study.

30. The Advisory Committee had tried in good faith to produce a set of recommendations which accommodated different viewpoints. He trusted that those recommendations and any subsequent decisions by the General Assembly on the basis of the recommendations of the Fifth Committee would result in the introduction of changes which would make life easier for the Secretariat, for the Advisory Committee and for the Fifth Committee in the financing and management of peace-keeping operations.

The meeting rose at 11.20 a.m.